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SUBJECT: BFIF HIGHLIGHTS OPPORTUNITIES FOR U.S. INVESTORS

¶1. SUMMARY: In an environment of increased investor interest and economic growth in Mozambique's economy, Embassy Maputo drew upon the Department of State's FY08 Business Facilitation Incentive Fund (BFIF) and partnered with the Foreign Commercial Service to successfully craft a range of activities to educate U.S. companies with a presence in the region on commercial opportunities in Mozambique, and to match up U.S. and Mozambican businesses into potential partnerships that could result in nearly one billion dollars in new sales and investment. The activities included two trade and investment conferences, participation in an International Buyers Program (IBP) along with a follow-up DVC, and essential training for embassy staff. The high level of participation by U.S. and Mozambican companies in the events underlines the impressive potential return for American business from the USG's modest BFIF outlay. END SUMMARY.

ECON NUMBERS SUGGESTED POTENTIAL FOR INVESTMENT

¶2. Mozambique's GDP per capita has nearly quadrupled since the civil war ended in 1992, and the country has had the highest consistent growth rate in Africa over the past decade. In addition, the United States is now the largest source of Foreign Direct Investment in Mozambique and Rafique Yusob, director of the GRM's Center for the Promotion of Investment (CPI), has told Emboffs that CPI predicts that the United States will be the leader in FDI over the next five years and perhaps longer. U.S. exports to Mozambique nearly doubled from 2006 to 2007, and initial data from the first quarter of 2008 indicate that some U.S. exports continue to grow significantly*for example, electrical machinery and equipment jumped 123% compared to 2007. In spite of some improvement in recent years, Mozambique still scores low on the World Bank's Doing Business, ranking.

U.S.-MOZAMBIQUE TRADE FORUM IN JOBURG

¶3. After evaluating these data and seeing significant commercial potential in spite of a challenging business environment, the Embassy formally requested four small allocations from State's BFIF to help U.S. companies invest in Mozambique (reftel). Emboffs first teamed up with the Foreign Commercial Service to jointly plan a half-day Mozambique Trade Forum in Johannesburg, South Africa in late February focused on U.S. companies already resident in South Africa and looking to expand to Mozambique. Led by Embassy Maputo's Charge and the Mozambican High Commissioner to South Africa, fifty participants from more than thirty U.S. companies met to discuss investment opportunities and strategies in Mozambique. As a result of the workshop, FCS and Embassy Maputo responded to two requests for FCS services from U.S. companies that represent \$6-10 million in potential new sales. In addition, AmCham Johannesburg and the Illinois Trade and Investment Office are now reviewing the possibility

of a joint trade delegation to Mozambique and Embassy Maputo met with a team from the University of Michigan that are assisting U.S. investors in planning a biofuel project in Mozambique in conjunction with BHP Billiton.

U.S.-MOZAMBIQUE INVESTMENT CONFERENCE IN MAPUTO

¶4. Drawing on the momentum of the Johannesburg forum, post next orchestrated a larger, day-and-a-half U.S.-Mozambique Investment Conference in late June. At this conference, more than 130 participants from U.S. and Mozambican companies discussed investment opportunities with Mozambique's Minister of Energy, the Minister of Tourism, the Central Bank Governor, and the director of the GRM's Center for the Promotion of Investment (CPI). In addition, U.S. businessmen already present in Mozambique gave their views on the challenges and rewards of investing in the local economy. The Embassy received four more requests for Gold Key Service, International Company Profiles (ICP), and International Partner Searches (IPS), and also directed a three hour, informal matchmaking exercise in which 25 U.S. companies participated with potential Mozambican partners. Together, these activities represented more than \$900 million in potential new U.S. sales or new U.S. investment in Mozambique in areas as diverse as commercial agriculture, airplanes and aviation equipment, and healthcare and insurance services.

FRANCHISING IBP AND DVC

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¶5. In mid-April, the Embassy's EconSpecialist drew on BFIF support to lead a delegation of three Mozambican companies to the International Franchise Expo in Washington, DC, where they met with over 30 franchisers that are looking to expand into southern Africa. After followup meetings with a dozen of those, the EconSpecialist proposed a BFIF-funded DVC between U.S. franchisers and potential local partners that has been set for September, and twenty Mozambican companies have already expressed interest in the event.

ESSENTIAL TRAINING

¶6. Finally, Econoff and EconSpecialist took advantage of the February forum in Johannesburg for three days of no-cost training with the Foreign Commercial Service. The tailored course included in-depth instruction on a wide variety of FCS services like Gold Key, ICP, and ICS; an introduction to ExIm, USTDA, and OPIC; and a series of meetings with counterparts at Embassy Pretoria on investment opportunities and the trade relationship between the U.S., South Africa, and Mozambique. The training also served as a team-building exercise between FCS Johannesburg and Embassy Maputo to bolster the ability of the two missions to generate joint economic success stories.

COMMENT: SMALL INVESTMENT, HUGE RETURNS

¶7. The four-part BFIF proposal cost \$10,000, representing the successful implementation of the Embassy's strategy to draw U.S. investors who are already familiar with the region--particularly South Africa--into Mozambique. An immediate impact, the three-day training course greatly expanded the Embassy's ability to provide commercial services on behalf of the non-resident FCS and to more effectively advocate for U.S. companies. Directly after the course, the Embassy completed its first FCS services and has since taken on several more. More significantly, the two trade and

investment events along with the IBP and DVC showed the strong interest of U.S. companies in Mozambique while highlighting that the challenging business environment calls for an active USG role. Ultimately, the small BFIF outlay could result in as much as \$1 billion in new U.S. investment and sales in Mozambique.

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